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[Review of the Navy's Fiscal Year 1978 Appropriation Request for Trident Support Facilities Construction Program]. LCD-77-350; B-178056. June 22, 1977. 2 pp. + enclosure (10 pp.).

Report to Rep. George H. Mahon, Chairman, House Committee on Appropriations; by Elmer B. Staats, Comptroller General.

Issue Area: Facilities and Material Management (700); Facilities and Material Management: Design and Construction of Federal Facilities (707).

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Organization Concerned: Department of Defense; Department of the Navy.

Congressional Relevance: House Committee on Appropriations.

The Navy's fiscal year 1978 appropriation request to construct support facilities at Bangor, Washington, for Trident submarines was reviewed, including the \$109.4 million for 14 different Trident-related construction projects and \$11.5 million for increased municipal facilities and services resulting from the Trident support base. Findings/Conclusions: The need for on-base retail facilities (estimated to cost \$4.8 million) was questioned, since a substantial number of retail outlets currently exist close to the base. The Navy overstated its request by about \$1.1 million, as the facilities requested exceed Defense Department and Navy space allowances. The Navy has shown no convincing economic reasons for not deferring funding of explosive handling wharf #2 (estimated cost \$26.3 million); based on its scheduled use, this project could be deferred. A questionable note for postcontract award services overstated the request by about \$0.9 million. About \$1.7 million in prior funds had not been allocated to specific projects; these could be made available to this request. (Author/DJM)



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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The Honorable George H. Mahon, Chairman
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

On August 30, 1976, you asked that we review the Navy's fiscal year 1978 appropriation request to construct support facilities for Trident submarines. The request included \$109.4 million for 14 different Trident-related construction projects and \$11.5 million for increased municipal services and facilities resulting directly from constructing and operating the Trident support base.

Your office also requested any information that would benefit the Subcommittee on Military Construction Appropriations during its evaluation of the Navy's request and asked us to brief the subcommittee's staff on our findings. We briefed the subcommittee staff on April 27, 1977, and agreed to provide you a written report. Findings discussed at that time are summarized below and discussed in detail in the enclosure:

- We question the need for onbase retail facilities (estimated to cost \$4.8 million) since a substantial number of retail outlets currently exist close to the base. (See p. 2.)
- The Navy has overstated its request by about \$1.1 million. The size of the requested facilities exceeds Defense Department and Navy space allowances. (See p. 5.)
- The committee may want to defer funding explosive handling wharf #2 (estimated cost \$26.3 million) based on its scheduled use. (See p. 6.)
- The Navy included a questionable rate in its cost estimates which overstates the request by about \$0.9 million. (See p. 9.)
- About \$1.7 million in prior funds have not been allocated to specific projects. These funds could be made available for the fiscal year 1978 request. (See p. 10.)

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As your office directed, we did not obtain formal comments on this report from the Navy. However, we have discussed its contents with Navy officials and included their comments where appropriate. We are sending copies of this report to the Secretaries of Defense and the Navy.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "James B. Heath". The signature is written in black ink and is positioned to the right of the typed name.

Comptroller General
of the United States

Enclosure

NAVY'S FUNDS REQUEST IN FISCAL YEAR 1978
TO CONSTRUCT TRIDENT SUPPORT FACILITIES

INTRODUCTION

On August 30, 1976, the Chairman, House Committee on Appropriations, asked that we review the Navy's fiscal year 1978 appropriation request for the Trident support facilities at Bangor, Washington. Specifically, we were asked to review

- the justification for projects supporting the appropriation request,
- the cost data used to estimate the amounts requested for projects,
- whether delays in construction schedules would affect whether projects could be deferred,
- changes in construction projects for Trident support facilities funded in prior years,
- whether prior year appropriations could be use in lieu of new appropriations.

We discussed our findings with the subcommittee's staff on April 27, 1977.

BACKGROUND

In fiscal year 1974, the Congress started incremental funding for the Navy's program to construct facilities to support Trident submarines. The program is to be funded for 8 years. As of March 1977 the Navy estimated total program costs to be \$727 million. That estimate did not include both \$63 million for military family housing at the support site and \$3.5 million for the Trident program's share of a regional naval hospital.

Since fiscal year 1973, the Congress has appropriated about \$484 million to construct Trident support facilities. The Navy's fiscal year 1978 appropriation request, shown below, includes \$109.4 million for 14 Trident-related projects and \$11.5 million to help local governments pay for increased municipal services and facilities resulting directly from construction and operation of the Trident support site.

	<u>Funds requested</u>
	(000 omitted)
Dry dock, phase II	\$ 48,817
Delta access trestle (dry dock)	614
Explosive handling wharf #2	26,280
Service pier and port control office	6,959
Off crew administration building	4,533
Base cafeteria	834
Consolidated open mess	4,459
Service station	665
Auto hobby shop	1,114
Missile motor magazines	7,051
Alarm control center (3d increment)	177
Utilities and site improvements (5th increment)	3,500
Exchange complex	<u>a/4,176</u>
Tennis courts	<u>181</u>
 Total construction	 <u>\$109,360</u>
 Community impact assistance (3d increment)	 <u>11,500</u>
 Total FY 1978 request	 <u>\$120,860</u>

a/The Navy has reduced its request for the exchange complex by \$250,000. (See p. 6 for more details.)

JUSTIFICATION FOR INDIVIDUAL PROJECTS

Are retail service facilities needed?

The Navy's fiscal year 1978 appropriations request includes about \$4.8 million to construct an exchange complex and an automobile service station. We question the need for these facilities since numerous retail outlets exist near the base.

Retail service outlets became a part of military life when military pay was extremely low; however, as a result of recent salary increases, military pay is nearly commensurate with civilian pay. Further, in the past, military retail outlets were necessary because local retail services were relatively inaccessible. The Bangor area has retail services and outlets relatively close to the base--in the communities of Bremerton, East Bremerton, Silverdale, and Poulsbo.

The following lists available retail outlets:

<u>Facility</u>	<u>Number of facilities in community (note a)</u>				<u>Total shops by type</u>
	<u>Bremerton</u> (14 miles from base)	<u>East Bremerton</u> (10 miles from base)	<u>Silver- dale</u> (4 miles from base)	<u>Poulsbo</u> (5 1/2 miles from base)	
Barber shop	4	5	2	2	14
Shoe repair shop	1	1	0	1	3
Beauty salon	3	2	4	2	11
Tailor shop	1	0	0	0	1
Laundry/dry- cleaning shop	1	5	2	3	11
TV repair shop	0	4	2	1	7
Portrait studio	1	2	1	1	5
Watch repair shop	6	2	2	1	11
Optical shop	3	1	1	0	5
Garden shop	1	2	1	2	6
Supermarket	0	4	3	3	10
Retail depart- ment store	6	4	2	2	14
Florist shop	2	2	2	3	9
Bank	9	3	4	2	18
Auto service station	3	11	6	13	<u>33</u>
Total shops					<u><u>158</u></u>

a/This data was provided by Kitsap County officials.

The services provided by these facilities are the same as those the Navy requested in fiscal year 1978. (See p. 6.) Although there are no bus routes to the base at this time, Kitsap County officials are developing plans for a mass transit system to link the base with the community.

In addition to these community retail outlets there are also military service outlets near Bremerton. The main Navy exchange/commissary is at the Puget Sound Navy Shipyard, Bremerton, about 12 miles from the Trident Base. It has 38,000 square feet of exchange space and 18,500 square feet of commissary space. There are also smaller exchange branches at the naval torpedo station at Keyport and the Trident Base. These facilities serve a military community of 14,290 active and 11,700 retired military personnel and dependents.

Comments of the Trident
project manager

The Trident project manager provided the following comments about onbase retail facilities:

- It would be unfair to deprive Trident Base military personnel of retail facilities available at other bases.
- It would become more difficult to retain highly qualified personnel without this incentive.
- Military personnel without automobiles would find it difficult to shop at the civilian retail outlets.
- An opportunity to generate Navy exchange profits, customarily used for operating recreation programs, would be foregone.
- Shopping facilities should be provided for the convenience of an onbase residential population of about 7,400 military personnel and dependents.
- Traffic and fuel consumption would be reduced with onbase retail facilities.

Such arguments for providing retail service facilities as well as recreation programs and open messes do not rule out the legitimate question of whether the user or the Government should pay for them.

We estimate that up to \$900 million a year is appropriated to subsidize military morale, welfare, and recreation programs throughout the world. These are direct expenses and do not include many more millions in tax exemptions and free land and space that these activities use. Subsidies of this magnitude have allowed the activities to become entities of substantial economic consequence; with their ability to become more self-sufficient and offer their customers a price advantage at the same time.

In this regard, retail facility construction from non-appropriated funds is not unusual. Several years ago the joint-service Army and Air Force exchange and motion picture services launched major long-term construction programs with nonappropriated funds, and in 1974 the Congress passed legislation authorizing the commissaries of all services to levy a surcharge to be used for building new stores.

There is also more emphasis in the Defense Department to rely on the community for military personnel support. The Defense Department's policy is to rely primarily on civilian communities for housing. The House Committee on Appropriations has concurred with this policy on numerous occasions, and has taken several steps to enable the civilian sector to provide better support for military families.

Conclusion

Because of the proximity and number of military and community retail facilities, we question the need for the funds requested for the exchange complex and service station.

OVERSTATED APPROPRIATIONS REQUEST

Should the committee decide not to delete the Navy's request for the exchange complex and service station discussed above, we believe reductions should be made in the retail facilities request. These facilities are larger than the allowance established by the Defense Department and the Navy. This has resulted in an overstatement of about \$1.1 million in the appropriations request.

<u>Project</u>	<u>Space requested</u>	<u>Space allowed</u>	<u>Excess</u>	<u>Our estimate of overstatement</u>	<u>Navy estimate of overstatement</u>
Exchange complex (notes a, b)	68,266	54,615	13,651	\$ 885,057	\$841,000
Service station	3,900	3,780	120	20,462	11,000
Base cafeteria	8,971	7,400	1,571	146,050	84,000
Auto hobby shop	<u>10,364</u>	<u>9,880</u>	<u>484</u>	<u>52,624</u>	<u>27,000</u>
Total	<u>91,501</u>	<u>75,675</u>	<u>15,826</u>	<u>c/\$1,103,593</u>	<u>c/\$963,000</u>

a/The exchange complex includes a retail store, warehouse, administration space, package store, maintenance shop, barber shop, beauty shop, garden shop, beverage store, shoe repair store, optical shop, tailor shop, valet service, laundry and drycleaning store, TV repair store, and personal services facility.

b/Subsequent to the completion of our audit work, the Navy deleted the package store from its request, reducing its request for the exchange complex by \$250,000.

c/Our computation of the overstatements is based on an allocation of the excess square footage against the amount requested. The Navy disagreed with our estimate of the overstatements. Subsequent to the completion of our audit, the Navy gave us their estimate of the overstatements. The Navy's estimate corresponds to our computation of the excess space.

In supporting its request, the Navy computed the square footage allowances for retail facilities by using an authorized military personnel strength of 5,488. This figure represents the entire complement of officers and enlisted personnel permanently assigned to the base. The Navy also requested funding for certain retail facilities not specifically authorized.

It is Defense Department policy that onbase retail facilities meet specific requirements and not be arbitrarily programed to meet maximum allowances. We computed the excess space in the exchange complex by excluding three facilities which are not specifically authorized by Defense Department and Navy criteria--a package store (4,000 sq. ft.), a beverage store (3,000 sq. ft.), and a garden shop (1,400 sq. ft.). In addition, in computing excess space (7,426 sq. ft.) for the remaining retail facilities, we used a military strength of 4,410, which does not include the crews that will be on patrol at sea. The Trident submarines will be at sea on a rotating basis, and 1,078 crew members at any given time will not be using the onbase retail facilities.

The Navy disagrees with our exclusion of the crews at sea because their dependents will be using the facilities. However, as required by Navy criteria, our computations included crew dependents. For example, our computation of the space allowance for the retail store takes into account these dependents.

Conclusions

In our opinion the Navy's appropriation request is overstated by \$850,000 (\$1,100,000 less \$250,000 for the package store).

PROJECT DEFERRALS

The fiscal year 1978 request includes about \$26.3 million for the second explosive handling wharf required for the Trident program. Both wharfs are used to load and/or unload missiles from submarines during refit and before deployment. After reviewing the scheduled use of explosive handling wharf #2, we believe it could be deferred from this year's program.

The Navy plans to have explosive handling wharf #2 completed in July 1980 and ready to use by early 1981. It believes that the second wharf will eliminate schedule conflicts when two submarines are due to have missile handling work performed at the same time. According to the Navy, if

explosive handling wharf #2 is not constructed, severe delays would occur in the 25-day refit cycle and deployment schedules would be jeopardized.

An analysis of the deployment and refit schedules through 1983 shows that there are only three times when two submarines are expected to require missile handling at the same time:

<u>Ships</u>	<u>Requirement</u>	<u>Dates</u>
SSBN 726	Unload for refit	1/07/82
SSBN 729	Load prior to deployment	12/25/81 to 1/09/82
SSBN 727	Load after refit	8/14 to 8/15/83
SSBN 729	Load after refit	8/15 to 8/16/83
SSBN 728	Load after refit	9/08/83
SSBN 731	Load prior to deployment	8/27 to 9/11/83

As shown above, the first conflict does not occur until January 1982 and would cause SSBN 726 only a 3-day delay in departing on patrol. The next conflict does not occur until August 1983. However, the Navy feels conflicts could occur earlier because the schedules are subject to change.

The Navy also believes that the second wharf is needed in the fiscal year 1978 program to provide a backup capability should explosive handling wharf #1 become inoperable because of equipment breakdown.

The Navy also contends that if explosive handling wharf #2 is approved as a fiscal year 1978 facility it can bid the job while other major waterfront contractors are still mobilized at the site, thus enabling most of the job to be completed before Trident submarines begin operating. If construction of explosive handling wharf #2 is deferred 1 year, the Navy estimates that program costs will increase by about \$5.1 million. Below are comments on the factors which make up this increase:

--\$2.6 million due to escalation. The Navy's estimate is based on 10 percent of the \$26 million fiscal year 1978 request for this project. In our opinion, possible project costs escalation is not sufficient reason for funding a project before a demonstrated need for the project exists. In this regard, in testimony before the House Appropriations Committee's Subcommittee on Defense, the Secretary of Defense stated:

"I discount that [inflation] because if you don't discount that then what it says is you should buy everything now that you would ever buy because it is always going to cost more."

- \$0.5 million due to contractor shutdowns. The Navy's estimate is based on Government-directed contractor shutdowns during missile handling operations at explosive handling wharf #1. These operations would cause construction of explosive handling wharf #2 to be halted because of security and explosive safety requirements. The shutdowns are based on the delivery schedule of the first submarine, therefore, fewer shutdowns would occur if the submarine is not delivered on schedule. The first submarine is currently 23 weeks behind delivery schedule.
- \$2.0 million for contractor competitive advantage. The Navy estimate is based on a contractor's competitive advantage in owning a giant pile-driving rig. This contractor is currently onbase and is constructing the refit delta with this rig. The Navy contends that (1) the giant rig is tailor-made for the piles and conditions at the refit delta (similar to those for explosive handling wharf #2), (2) it is a very sophisticated and efficient rig with a high capital cost, and (3) its pile-driving production rate is about twice that experienced by the smaller rig previously used at explosive handling wharf #1. The Navy believes that this contractor will probably bid on the explosive handling wharf #2 project. The Navy feels that, since this contractor will not have to assemble and construct a new rig, the Navy could save up to \$2 million due to the keen competition.

In our opinion, much of the \$2 million cited by the Navy as potential savings may be reflected as profit in the bid of the contractor that has this competitive advantage. In addition, because of this competitive advantage, the competition for the explosive handling wharf #2 project may be less keen than anticipated by the Navy. In any event, since construction of explosive handling wharf #2 is a major project, the contractor in question will likely make a bid regardless of the project's timing.

Conclusion

In our opinion, the Navy has shown no convincing economic reasons for not deferring the explosive handling wharf #2 project. Based on the scheduled use of explosive handling wharf #2, this project could be deferred.

QUESTIONABLE COST ESTIMATES

In its fiscal year 1977 request, the Navy included a 10-percent contingency factor for repetitive projects to cover unforeseen construction difficulties and design changes. The committee believed the 10-percent rate was excessive and appropriated only 5 percent. According to the Navy, a 5-percent contingency rate was used for all projects in the fiscal year 1978 program, except for the service pier/port control office and utilities and site improvements where 10 percent was used. However, a factor for anticipated post-contract award services, ranging from 1/2 to 1-1/2 percent, was added to the basic 5-percent contingency rate. Post-contract award service is defined as "engineering support" for preparation of construction amendments necessary for contract change orders. Prior year project cost estimates did not include specific amounts for postcontract award services. The Navy stated that this cost was included as part of the 10-percent contingency rate used in prior year project cost estimates. However, it was not specifically identified as a separate item.

The Assistant Officer in Charge of Construction for Engineering, Trident, stated that no fixed rules exist concerning which factors should be included in appropriation requests. The postcontract award service amounts vary, depending on the technical complexities of each project. This officer believed that the amounts for postcontract award services are necessary because the 5-percent contingency factor cannot cover these costs.

Conclusion

We question the \$0.9 million for postcontract award services because this amount seems to be provided for in the allocation for contingencies--the cost-of-change orders resulting from unforeseen construction conditions. In effect, it appears to be a restatement of what is essentially a contingency and, therefore, may be contrary to the committee's desire last year to reduce contingency estimates.

DELAY IN SUBMARINE
CONSTRUCTION SCHEDULES

The Trident support site is being constructed to support a force of 10 submarines. The first submarine is scheduled to be deployed in September 1979, based on a December 1978 delivery plus a 9-month predeployment operating period. As of December 1976, the first submarine was 23 weeks behind schedule. Alternative plans to solve the delivery problems have been or are being prepared. These plans will indicate the steps to be taken and the rates of progress which would have to be made to recover the planned December 1978 ship delivery date.

CHANGES TO PRIOR YEAR PROGRAMS

During hearings on the fiscal year 1978 appropriations request, the Navy provided the committee with working estimates, as of February 28, 1977, of projects funded in prior years, and explanations of principal causes for cost estimate changes of \$1 million or more since last year's hearings.

For the committee's information, the Navy gave us some additional reasons for the changes to working estimates which it had not provided to the committee. Changes to cost estimates for the refit pier #1, explosive handling wharf #1, Trident training facility (2d increment), Indian Island wharf, refit pier #2, and missile motor magazines were also caused by further design progress which allowed a better base for cost estimating. Changes to the utilities and site improvements (3d increment) cost estimates were also caused by construction progress which facilitated better definition of construction conditions.

FUNDS AVAILABLE FROM
PRIOR YEAR APPROPRIATIONS

The Congress has appropriated \$468.6 million for Trident support facilities construction and \$15 million for community impact assistance for a total of \$483.6 million. Navy working estimates, as of February 28, 1977, showed \$1.7 million not being allocated to specific projects.

Conclusion

These funds could be made available for the 1978 appropriation request. However, the Navy has an additional \$5 million cost identified in this year's hearings for launch complex 37. The Navy would like to apply the \$1.7 million to this project.